

**City of Minneapolis  
2013 Budget  
Financial Plan**

**Sanitary Sewer Fund**

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**Background**

The operating budget is set up under the Sanitary Sewer Collection & Treatment program. This program within the Fund accounts for 95% of the contractual payments made to the Metropolitan Council Environmental Services (MCES) for sewage interceptor and treatment services. It also accounts for maintenance and design work, capital programs and long-term debt services.

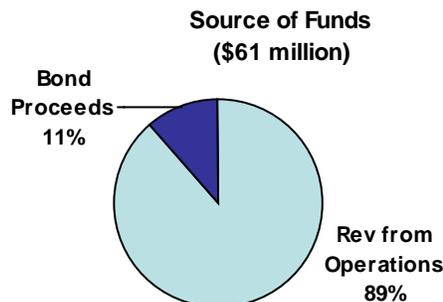
**Historical Financial Performance**

Total 2011 revenues were \$52.5 million compared to \$53.8 million in 2010. This is a decrease of \$1.3 million, or 2%, over 2010 and is mainly due to decreases in revenues from Capital programs. Sanitary service revenue totaled \$44.9 million, compared to the 2010 total of \$45.1 million. The expenditures for 2011 totaled \$51.1 million compared to \$50.8 million over 2010. An expenditure increase of \$3 million related to design, maintenance, Met Council, SAC charges, and debt services was offset by a decrease of \$2.6 million in MERF and capital programs.

**2013 Budget**

*Revenues*

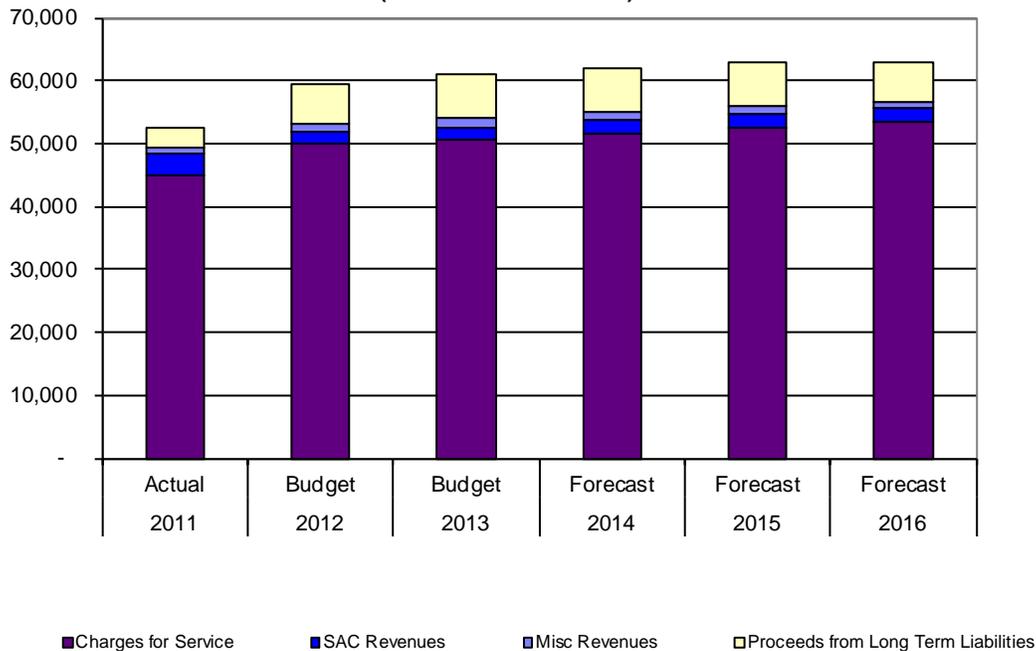
The total revenue budget for the Sanitary Sewer Fund for 2013 amounts to \$61.0 million compared to \$68.6 million, a decrease of \$7.6 million, or 11.1%, over 2012 projected revenues. This decrease is mainly due to an increase in SAC revenues recognized in 2012 corresponding to the unexpected increase in SAC expenditures recognized in that same year.. Monthly sanitary utility charges, Sewer Access Charges (SAC), design and miscellaneous projects, along with proceeds from capital programs make up the sources of revenue for the Sanitary Sewer Fund. Revenues from operations account for 89% of the budget and bond proceeds from capital programs make up the remaining 11%. Sanitary sewer rates are comprised of variable and fixed rates. For 2013, the variable sewer rate has been set at \$3.14 per one hundred cubic feet; meanwhile, fixed rates are based on meter sizes. Revenue estimates were increased to fund sanitary collection and treatment programs, retirements (MERF program), capital programs, debt payments and shared meter costs.



Year	Rate (cost per 100 per cubic feet)	% Increase	Average Monthly Bill	Total Planned Revenue from Utility Fee
2013	\$3.14	3.00%	\$18.84	\$50.6 million
2014	\$3.24	3.20%	\$19.44	\$51.6 million
2015	\$3.34	3.10%	\$20.04	\$52.5 million
2016	\$3.44	3.00%	\$20.64	\$53.5 million
2017	\$3.44	0.00%	\$20.64	\$54.5 million

### Sanitary Sewer Fund Revenues

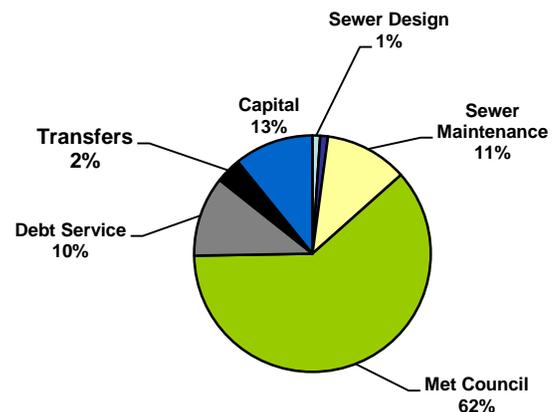
(in thousands of dollars)



### Expenditures

The total expenditure budget for 2013 amounts to \$61.9 million compared to \$62.9 million projected for 2012. This is a decrease of \$1.0 million, or 1.4%, over 2012 projections. This decrease is due to the unexpected increase in SAC expenditures recognized in 2012. Maintenance and design work, Met Council, capital programs, and long-term debt are funded from this budget. The increase of \$1.8 million in Met Council over 2012 is mainly due to the rate increase for treatment services. Design and maintenance budgets increased by \$400 over 2012 due to realignment of personnel, planned implementation of FOG

### Use of Funds (\$61.9 million)

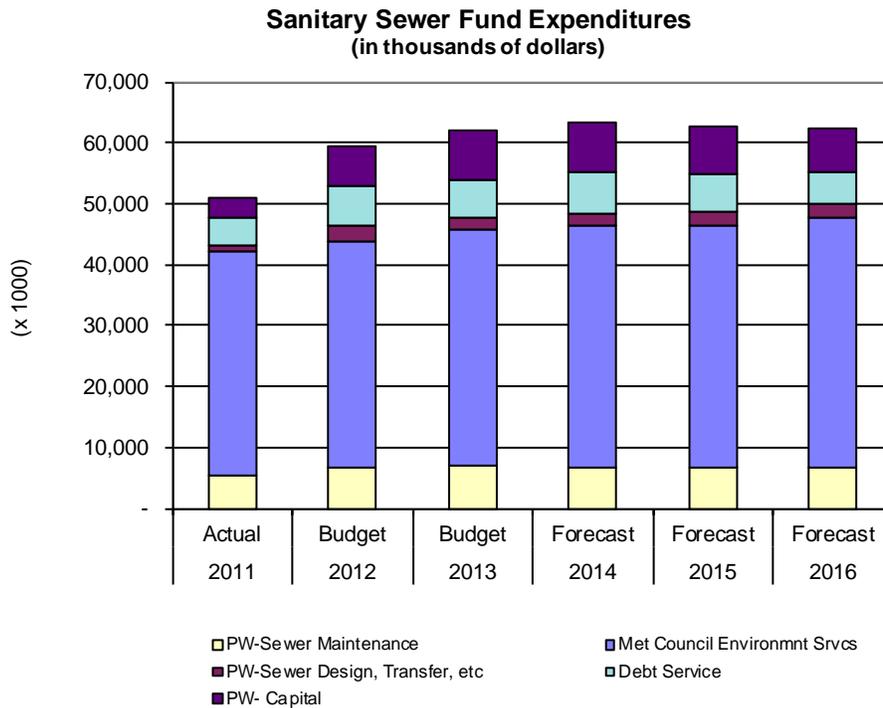


(Fat, oil and grease) program, and a one-time software expenditure of \$295K.

Capital expenditures for 2013 total \$8.0 million compared to \$6.5 million for 2012. This increase of \$1.5 million is due to sanitary tunnel and sewer rehabilitation work scheduled for 2013. The largest expense in the Sanitary Sewer Fund is the service charge paid to Met Council Environmental Services (MCES). The estimated payment to MCES for 2013 is \$34.9 million, a 6.0% increase over 2012. The Sanitary Sewer Fund bears 95%, or \$33.2 million, of this cost with the remaining \$1.7 million paid from the Storm Water Fund. Minneapolis is the largest customer in the MCES system. (Please note, this payment is only a portion of the Met Council Environmental Services line as shown on the plan).

**Debt Service & Transfers**

Capital programs for 2013 include the inflow/infiltration and tunnel sewer rehab programs. An additional component of the capital program includes repair work on existing infrastructures. For 2013, \$6.3 million is set aside as debt service payments for bonds sold in current and previous years to fund these projects. A transfer from this fund is made to the Water fund to cover shared meter expenses. For 2013, the transfer is estimated at \$1.1 million.



**Mayor’s Recommended Budget**

The Mayor recommended no changes to the proposed budget. Also, the Mayor recommends a rate of \$3.14 per 100 cubic feet in 2013. The division added positions within existing resources in 2013 to reflect actual staffing patterns.

**Council Adopted Budget**

Council approved the Mayor’s recommendations and amended the Mayor’s Recommended 2013 operating budget for Public Works by increasing the appropriation in the Sanitary Sewer Fund (07100) by \$339,017 for SAC charges paid to Metropolitan Council.

**City of Minneapolis**  
**2013 Budget**  
**Financial Plan (in thousands of dollars)**

**Sanitary Sewer Fund - 07100**

	2010 Actual	2011 Actual	2012 Budget	2012 Projected	2013 Budget	% Chg from 2012 Projected	2014 Forecast	2015 Forecast	2016 Forecast
<b>Source of Funds:</b>									
Charges for Service	45,142	44,900	49,867	51,369	50,585	-1.5%	51,568	52,526	53,461
SAC Revenues	2,984	3,592	2,000	10,345	2,060	-80.1%	2,060	2,060	2,060
Other Misc Revenues	1,241	990	1,226	400	1,319	229.8%	1,319	1,319	1,222
Proceeds from Long Term Liabilities	4,477	3,020	6,500	6,500	7,000	7.7%	7,000	7,000	6,250
<b>Total</b>	<b>53,843</b>	<b>52,501</b>	<b>59,593</b>	<b>68,613</b>	<b>60,964</b>	<b>-11.1%</b>	<b>61,947</b>	<b>62,905</b>	<b>62,993</b>
<b>Use of Funds:</b>									
PW-Sew er Design	298	366	632	475	773	62.7%	755	772	789
PW-Sew er Maintenance	5,470	5,510	6,796	6,200	7,087	14.3%	6,542	6,667	6,745
MERF Debt Service -New Plan	-	-	-	-	-		292	292	292
Met Council Environment Svcs	34,897	36,731	36,833	42,303	38,656	-8.6%	39,712	39,775	40,863
Debt Service	3,551	4,618	5,217	5,217	4,594	-11.9%	4,192	2,645	1,040
Future Debt Service			1,367	-	1,709		2,582	3,455	4,219
Transfers	-								
To MERF Debt Service	825	577	1,112	1,112	-	-100.0%	-	-	-
To Water Fund			994	1,058	1,149	8.6%	1,149	1,149	1,149
PW- Capital	5,709	3,309	6,500	6,500	8,000	23.1%	8,000	8,000	7,250
<b>Total</b>	<b>50,750</b>	<b>51,111</b>	<b>59,451</b>	<b>62,865</b>	<b>61,969</b>	<b>-1.4%</b>	<b>63,224</b>	<b>62,754</b>	<b>62,347</b>
<b>Change in Net Assets</b>	<b>3,093</b>	<b>1,390</b>	<b>142</b>	<b>5,749</b>	<b>(1,005)</b>		<b>(1,277)</b>	<b>151</b>	<b>646</b>
<b>Net Asset Balance</b>	<b>96,156</b>	<b>100,825</b>	<b>100,967</b>	<b>106,573.25</b>	<b>105,568</b>		<b>104,290</b>	<b>104,441</b>	<b>105,088</b>
<b>Cash Balances</b>									
Operating Cash	12,474	15,430	15,573	21,179	20,173		18,896	19,047	19,693
Construction Cash	4,177	5,338							